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Analysis of Korea's international trade and investment activities in Vietnam

Dr Nguyen Hoang Tien,
Saigon International University,
Ho Chi Minh City, Vietnam

Assoc. Prof. Nguyen Minh Ngoc,
University of Finance and marketing,
Ho Chi Minh City, Vietnam

Abstract: The Korea-Vietnam Free Trade Agreement has opened up an ever-greater opportunity for the business community to promote economic development between the two countries. South Korea is an important partner of Vietnam marking the success by exporting telecommunication equipment and spare parts to Vietnam. In recent years, the total volume of Vietnamese goods exported to the Korean market has reached US $ 14 billion, nearly equal to the US.In the future, with high-tech investment projects besides promoting the import-export activities,South Korea will be Vietnam's largest export market. Korea's investment in Vietnam in 2016 reached 7 billion USD and in the first 6 months of 2017 it continued to increase and reached 5 billion USD. Accumulated to June 2017, the investment scale has reached 54 billion USD. As such, South Korea is the leading investment country in Vietnam. This paper analyzes the impacts of Korea on Vietnam's trade and proposes some solutions to improve trade relations between Vietnam and Korea.

Keywords: International import and export, international investment, Korea, Vietnam.

1. Introduction

Currently, foreign direct investment activities are still happening with increasing volume and pace on global scale. Vietnam has identified and concretized the policy of foreign investment cooperation in order to make use of capital, technology, techniques, management experience and the world market to serve the cause, industrialization and modernization of the country in documents and resolutions of Vietnam Communist Party and State in the renovation period. Investment capital from Korea has officially entered Vietnam since 1992, the amount of capital and the number of direct investment projects of Korea in Vietnam tend to increase strongly. With the international integration economy is an inevitable trend of the world economy, the process of transporting international capital flows to promote the economic development of countries is also an inevitable. Vietnam is a developing economy with a low starting point, international economic integration brings many advantages but also faces many challenges in the economy in terms of its inappropriate structure and efficiency. With the goal of developing the national economy, improving people's living standards, Vietnam not only needs to exploit available resources in the country but also to exploit resources from outside. According to the economic news, the situation of Korea's import and export in Vietnam is increasing in terms of products such as telephones, components and garments. According to the Trade and Industry Information Center, the total import-export turnover of Vietnam-Korea in July reached 16.3 billion USD. Statistics of this center show that after 20 years of trading cooperation of the two countries, Vietnam has always been a trade deficit from Korea. According to the Korea Trade and Investment Promotion Department, in the future, Vietnam will remain the leading attractive investment address in Southeast Asia. However, Korea's import and export activities and investment capital into Vietnam have not really matched the potential and singing needs of the two countries. On the other hand, the investment environment in Vietnam has many shortcomings such as incomplete and incomplete laws, complicated investment procedures and weak infrastructure. Therefore, the import-export and investment activities of Korea in Vietnam have not been carried out smoothly in recent years.

The study of the actual situation of import and export activities and investment in Korea and proposed solutions to enhance and attract investment capital effectively in the context of Vietnam's economy today. That is also the reason we chose the topic "analysis of Korea's international tradeand investment activities in Vietnam.

2. Theoretical Framework

International business involves business transactions between two or more countries, for example, business transactions including the purchase of raw materials from this country, transportation to other countries for production or processing purpose, then, transporting the product to another country to sell, or develop an overseas investment plan to reduce labor costs, or borrow money from the local bank to improve financial ability.. Countries participating in the trading process include individuals, companies, corporations or between governments.Export is the activity of selling goods and services from one country to another. Export is a low-risk and low-cost market for foreign markets. The scope and extent of the intrusion as well as the main activities of the company need to be adapted to the foreign market depending on the form of export that the company chooses. Imports are activities that take place to buy products from other countries for consumption or business in that country. (Huynh Thi Thuy Giang, 2017).Exports are activities that domestic enterprises produce and sell abroad. Manufacturing enterprises will not be involved in the process of selling products abroad and do not invest more when the product has been exported. Imports are the purchase of goods of another country for the purpose of consumption or business. (Nguyen Hoang Tien, 2017).There are two forms of export: indirect and direct. In indirect exports, most international activities are carried out by third parties (export intermediaries) and the company does not know how products are consumed in foreign markets. In direct export, the company will conduct marketing functions and directly sell goods with foreign partners. This form requires the company has international trading experience and strong resources.In short, import and export is an international business activity. It is not a single trading act, but a system of organized, complex internal and external trading relationships that aim to profit, promote the development of commodity diversity and resilient production, and transform economic structure, stably and gradually improving people's living standards. Import-export is an easy operation, but it can cause great damage because it has to deal with another exteral economic system that domestic entities participating in import and export are not easy to control. Import and export activities are organized with many operations, from foreign market surveys, selection of import and export goods, transaction traders, steps to conduct negotiation and signing contracts until the goods delivered to the port transfer ownership to the buyer, completing the payment. Each stage, each of these operations must be fully researched, carefully placed them in mutual relationships, taking advantage of the advantages to ensure the highest efficiency, timely service for production, domestic consumption.

The second characteristic form of international business is international investment.International investment is a business process in which investment capital is moved from one country to another for the purpose of profitability. Benefits of investment activities are often economic benefits, but and also political, cultural, social and ecological environmental benefits. International investment is divided into two types: Foreign Direct Investment (FDI) and investment by foreign portfolio (Foreign Porfolio Investment-FPI). Foreign direct investment (FDI) is an investment aimed at actively controlling ownership, wealth, assets, or corporate headquarters in the country invested. Foreign portfolio investment (FPI) is the purchase of assets related to foreign financial activities (such as stocks, bonds, current certificates) for purposes other than participation in governance and regulation (Ha Nam Khanh Giao, 2012).International investment is a form of international movement and capital, in which capital is moved from one country to another to carry out one or several investment projects to benefit the participating parties. A special investment form which is Official Development Assistance - also known as foreign aid, including concessional loans and grants from highly developed nations' governments to the developing countries. Foreign direct investment is a private investment channel that includes investment forms of companies (mainly transnational companies) in which investors participate directly in managing investment activities. Foreign portfolio investment (Foreign Porfolio Investment-FPI) is a form of investment where foreign investors contribute capital by buying bonds and shares of local enterprises without directly engaging in business management. (Do Duc Binh, 2007).International investment is the transfer of assets such as capital, technology, management skills from one country to another for a high-profit business on a global scale. International investment and other international economic relations have fostered each other in the process of reproduction on a global scale. International investment cannot be separated from circulation (international trade) and necessary support services. However, international investment has outstanding advantages compared to other international relations. (Phung Xuan Nha, 2001).

Based on the concepts of different authors, international investment is an economic process in which foreign investors (organizations or individuals) bring capital or any form of value into the country, the receiver of investment to carry out production, business and service activities in order to profit or achieve social efficiency. International investment cooperation between countries is a trend in terms of strengthening the internationalization of all business activities of enterprises. Indirect investment is an international form of investment in which capital and capital users are two different entities. International investment is made in the following forms:

- Non-refundable international aid: Governments, financial and socio-economic organizations of the countries through non-refundable aid programs to assist underdeveloped countries. For example, the poverty reduction program, clean water program, greening program of bare hills of Vietnam today, the world food program.
- Refunded international aid: Governments and financial institutions lend to developing countries for economic and social development with low interest rates. Private enterprises of developed countries lend through the sale of goods at prices higher than the prices of normal trade relations or pay to buy government bonds so that developing countries receive capital for investment and development purpose.
- Foreign Direct Investment (FDI): This is the form of investment in which businesses, foreign individuals (investors) are directly involved in the process of managing and using investment capital and operating investment results to recover capital. In practice, direct investment is carried out in the following forms:
  a) Business cooperation on the basis of business cooperation contracts. This is a type of investment in which the parties to the contract sign an agreement to conduct one or more production and business activities in the other country, on the basis of clearly defining the object and business contents, obligations, responsibilities and division of business results for the parties involved.
  b) Joint-venture enterprises: Due to foreign parties to the host country contributing capital, doing business together, benefiting from each other and sharing risks according to the proportion of Vietnam contributed.
  c) Enterprises with 100% foreign capital: are enterprises owned by foreign investors (foreign organizations or individuals) established by foreign investors in the host country, self-managing and self-bearing responsibility for production and business results.

For investing countries, the role of FDI is mainly expressed in positive impacts, particularly in some aspects as follows:

- When the domestic market is saturated with a certain product, the offshore investment still brings a high profit on that type of product due to the demand for that kind of product in developing countries is still great.

- At a time when a type of technology may be obsolete in their country, in those developing countries, it is new, modern technology, FDI helps countries to invest to continue to gain benefits from technologies that cannot be used domestically any more.

3. Research Methodology

This article mainly uses theoretical research methods such as methods of analyzing and synthesizing theory, classification methods and systematizing theory. Method of theoretical analysis is a method of analyzing theory in different aspects, historical andgepgraphical relationships; discover and exploit different aspects of the theory togain the necessary information for the research topic. The method of theoretical synthesis is a method related to information collection and discovering relationships from the collected theoriesy and put them into a whole body to create a new theory system fully and profound applicable on the topic of research. Method of theoretical classification is a method of arranging scientific documents into a strict logical system for each aspect, each unit of knowledge, each scientific problem has the same sign of nature, has the same direction of development for easy identification, for the ease of use for research purposes and help discover the development rules of the object, the development of scientific knowledge from which to predict the new development trends in science and practice. Method of systematizing theory is a method of arranging diverse information collected from different sources and documents into a system with a tight structure to build a complete new theory to help understand the object more fully and deeply. Based on the above two methods, we will search and collect secondary sources of information and data on the web, books and newspapers to get information on Korean's international import and export activities in Vietnam. Next, we go deeply into into the synthesis and analysis phase to give comment and evaluation of the international import and export situation of this prosperous country. Then we will resystemize them to propose new policies and guidelines for Korean's international import and export activities in Vietnam market.

4. Research Results and Discussion

Through the research process, we have learned many details about import and export activities. In order to be able to grow and grow in a timely manner compared to other countries and at the same time so that Vietnam can integrate and advance against international friends, the economy is an extremely important focal and urgent point,especially, the process of developing and improving the international integration economy.International trade is a top issue to assess a nation's growth and development. Therefore, in order to improve the quality of import and export at home and abroad, opening trade and trading and expanding relationships with international friends is one of the key conditions.Korea is one of the countries with developed economies that are stronger than the general market of the world today, which is a resource-poor country, the domestic market is narrow, accumulating less in the country, but among these In recent years, Korea has successfully industrialized and become a new industrialized country.Although Vietnam and Korea are two different countries in political institutions, there are many similarities in cultural history. In 1992, the two countries of Vietnam and South Korea established diplomatic relations, expanded friendship and friendship, and trade and business became better.The official visit of South Korean President Moon Jae-in on March 22, 2018 in Vietnam and the affirmation of the close relationship and comprehensive development of the two countries over the past 25 years is the sentence. Satisfying answers to cooperative friendships, especially in the field of economics. Since 2011, Korea has always maintained its position as the largest foreign investor in Vietnam. In 2017, trade turnover of the two countries reached 64 billion USD. As a result, Vietnam is also the fourth largest trading partner of Korea. And conversely, Korea is also the second largest trading partner of Vietnam after China. In addition to the economic side, the cultural and people-to-people fields of the two countries are also expanding. The current reality shows that the Korean cultural wave has a small impact on the daily life of the Vietnamese people through K-pop music products, movies, television, fashion, cuisne which are all very popular in Vietnam. Besides, in the Korean country, Vietnamese dishes also gradually become closer and receive the enthusiastic and enthusiastic support of the Korean people. Many famous Vietnamese restaurants such as pho, bread, bun cha are increasingly appearing in this country. In terms of residence and living, there are about 170,000 Vietnamese people living and working in Korea. And it is estimated that nearly 150,000 Korean people are living in Vietnam. In terms of tourism, in 2017, Vietnam is one of the most popular tourist destinations with South Koreans in Southeast Asia when there are 2.4 million Korean people visiting and retiring in Vietnam. For the Korean government, Vietnam is always considered an extremely important partner. There are many factors for our country to become one of Korea's key partners. Vietnam is one of the countries with the youngest and most populous ASEAN, reaching nearly 100 million people. So the economic potential of Vietnam is very high. Vietnam-Korea trade turnover threshold in recent years has been constantly increasing at dizzying speed, which shows that the two countries have become an indispensable important partner of each other.

Besides the highlights, Vietnam is a developing and industrializing country, with still weak infrastructure and starting the industrialization from lower level.Bureaucracy, subsidies, administrative procedures are still cumbersome, making foreign investors in general and Korea in particular become difficult to approach cooperation and investment. The rise of Vietnam is from an agricultural country so the working style is still quite unprofessional and does not have modern industrial feature. In addition, the number of qualified, skilled and skilled workers still lacks, failing to meet the requirements of some modern technology industries. All of these are also one of the reasons for the major obstacle in economic relations between the two countries. Because the structure of export products of the two countries is at two different thresholds, the export trade of the two countries also encountered many obstacles. In the past 9 years, there are still many difficulties because the economic crisis originating in the US and spreading rapidly to the rest of the world has greatly affected the cooperation of the two countries.

5. Conclusion and Recommendation

In this article, we introduced and analyzed Korean trade structure. Analysis using gravity model also shows a positive impact on trade between Vietnam and Korea in recent years. Due to the high level of protection in the Korean market, tariff reductions bring great benefits to many export products of Vietnam. The benefits stemming from the fact that the level of competition between Vietnam and ASEAN economies is declining while the level of trade supplementation tends to increase. The higher level of complementarity promises greater benefits from tariff reductions. Meanwhile, rapid changes in economic structure and comparative advantage will also reduce the pressure of competition in the export market for many important export goods of Vietnam. Agricultural products and labor-intensive manufactured goods are the areas that can benefit the most. These are also the main export products of Vietnam to Korea in recent years. Attracting foreign direct investment into parts and components manufacturing not only contributes to the development of supporting industries in Vietnam but also opens up new export opportunities. This article distributes Korea's international import and export activities in Vietnam based on cross-sectoral trade. It does not take into account the gains from the increase in foreign direct investment flows from Korea to Vietnam thanks to a free trade agreement. Some other studies, for example Nguyen and Ezaki (2006) have shown that foreign capital inflows can increase significantly when tariffs are cut. The rise of foreign capital inflows can bring significant benefits, besides the self-benefits of trade liberalization. Vietnam must further improve its infrastructure and investment environment as well as develop a team of skilled workers to promote investment.

In order to maintain a friendly relationship with your country and to improve the economic quality of the country compared to the world, Vietnam needs to be more flexible and responsive in some of the top key management issues of the home. countries such as stabilizing the political and legal situation. Improving and developing infrastructure, advocating industrialization and modernization should be applied more widely and widely. Abolish and eliminate bureaucracy and subsidies. The legal system, administrative procedures in business need to be better resolved, opening up many opportunities for domestic and foreign enterprises to cooperate smoothly, quickly and easily. Education and labor force need to be cultivated and absorbed more new knowledge. Vietnam needs to actively learn and exchange culture from many countries around the world, thus expanding friendships and international cooperation more successfully.

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